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TAGS: PINT, HO

SUBJECT: REACTION TO INVESTIGATING COMMISSION REPORT

REF: TEGUCIGALPA 2044

BEGIN SUMMARY: PRESS INTERVIEWS WITH WELL KNOWN LAWYERS ARE VERY COMMON AND THERE IS SIGNIFICANT DISAGREEMENT AS TO WHICH PROVISIONS OF HONDURAN LAW WERE ACTUALLY VIOLATED IN THE UNITED BRANDS BRIBERY EPISODE. OPINIONS EXPRESSED ARE ALMOST UNIVERSALLY CONSISTENT THAT BOTH UB AND THE HONDURANS GUILTY OF ACCEPTING THE BRIBE SHOULD RECEIVE THE MAXIMUM POSSIBLE PENALTIES. THERE CONTINUES TO EXIST PRESSURE TO NATIONALIZE THE FRUIT COMPANIES OR, AT LEAST, TO CHANGE THE WAY THEY OPERATE IN HONDURAS. END SUMMARY.

1. IN ITS MAY 16 EDITION, EL DIA PRINTED A NUMBER OF ARTICLES

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URGING STRONG ACTION AGAINST UNITED BRANDS. INCLUDED WAS

AN INTERVIEW WITH INVESTIGATING COMMISSION MEMBER, ATTORNEY GENERAL SERAPIO HERNANDEZ WHO REPORTEDLY BELIEVES THAT THE BANANA COMPANIES SHOULD BE NATIONALIZED. EL DIA ALSO PUBLISHED STATEMENTS BY WILFREDO GALLARDO, PRESIDENT OF THE UNIVERSITY STUDENTS' ASSOCIATION, FEUH. GALLARDO URGED HONDURANS OF ALL CREEDS TO JOIN THE BATTLE TO NATIONALIZE THE BANANA COMPANIES WITHOUT COMPENSATION. ORLANDO LOZANO, NATIONLIST PARTY MEMBER, IS QUOTED BY EL DIA AS SAYING THE THE GOH SHOULD NO LONGER CONTINUE THE PRACTICE OF EXTENDING EXPIRED COMPANY CONCESSIONS. HE REFERRED TO CONCESSIONS FOR THE RAILROAD, DOCKS AND WATER RIGHTS THAT FORMALLY EXPIRED IN 1974 BUT CONTINUE TO BE OPERATED BY THE UNITED BRANDS HONDURAN SUBSIDIARY, THE TELA RAILROAD COMPANY. THE SAME POINT IS MADE BY WELL KNOWN LEFTIST FILANDER DIAZ WHO ALSO BLAMES THE FALL OF LOPEZ ON THE DEPARTMENT OF STATE. DIAZ SAYS THAT THE DEPARTMENT OF STATE, "NOT ABANDONING THE SYSTEM OF FOSTER DULLES," RELEASED THE BRIBERY STORY BECAUSE LOPEZ WAS MAKING REFORMS THAT WOULD BENEFIT THE PEOPLE.

2. IN CONSERVATIVE LA NOTICIA'S MAY 17 EDITION, DIONISIO MATUTE, FORMER PRESIDENT OF THE HONDURAN BAR ASSOCIATION, SAID THAT AT THIS TIME IT IS TOO EARLY TO KNOW WHAT CRIMES HAVE BEEN COMMITTED BUT FRAUD AND COHECHO (PROFITTING FROM AN OFFICIAL POST) ARE OBVIOUS. EL DIA QUOTED THE INVESTIGATING COMMISSION COORDINATOR, JORGE ARTURO REINA AS EXPRESSING COMPLETE CONFIDENCE THAT THE MELGAR GOVERNMENT WOULD " CARRY THE CASE TO ITS ULTIMATE CONSEQUENCES."

3. CONSERVATIVE LA PRENSA OF MAY 17 ALSO PUBLISHED AN INTERVIEW WITH ATTORNEY GENERAL SERAPIO HERNANDEZ. HERNANDEZ IS QUOTED AS SAYING THAT HIS OFFICE HAS BEGUN LEGAL PROCESSES AGAINST FORMER MINECON BENNATON AND THE TELA RAILROAD COMPANY. THE CASE WILL BE GIVEN TO THE FIRST CRIMINAL COURT IN TEGUCIGALPA. ACCORDING TO STORY, FORMER CHIEF OF STATE LOPEZ, EX-MINECON BENNATON, AND HOUSTON LACOMB, TELA RAILROAD COMPANY MANAGER, HAVE ALL BEEN FORBIDDEN TO LEAVE THE COUNTRY.

4. LA PRENSA OF MAY 18 CARRIED A LONG INTERVIEW WITH LIMITED OFFICIAL USE

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LAWYER AND NATIONALIST PARTY MEMBER NICHOLAS CRUZ TORRES WHO DETAILED HIS VIEW OF POSSIBLE LEGAL SANCTIONS IN THE UB CASE. ACCORDING TO CRUZ, IF THE PARTIES ARE ACCUSED OF FISCAL FRAUD, THE FINE CAN BE UP TO 100 PERCENT OF THE AMOUNT DEFRAUDED AND THE MONEY PAID AS A BRIBE CAN BE CONFISCATED. THIS PENALTY COULD BE ADDITIONAL TO THE ACTS OF COHECHO (DESCRIBED ABOVE) AND DISHONORING THE COUNTRY. ALSO, IF ALL POSSIBLE VIOLATIONS ARE CHARGED,

THOSE GUILTY COULD SERVE 18 YEARS IN PRISON.

5. LIBERAL TIEMPO OF MAY 17 QUOTES COMMISSION MEMBER AND SUPREME COURT JUSTICE ARMANDO AGUILUZ AS SAYING THAT WHEN THE MAJORITY OF LAWYERS SAY THE BRIBERY CASE IS ONLY COHECHO, THEY ARE WRONG, BECAUSE IT INVOLVES FISCAL FRAUD AND OTHER VIOLATIONS. HE SAID THAT THE GOVERNMENT WILL HAVE TO GO THROUGH CRIMINAL PROCESS TO PUNISH THE GUILTY, AND CIVIL PROCESS TO RECOVER DAMAGES. GUSTAVO ACOSTA MEJIA, PRESIDENT OF THE HONDURAN BAR ASSOCIATION, IS QUOTED BY TIEMPO AS URGING THE DEVELOPMENT OF A NEW RELATIONSHIP BETWEEN THE GOH AND THE FRUIT COMPANIES.

6. SEVERAL COMMENTATORS HAD CRITICIZED THE INVESTIGATING COMMISSION FOR NOT HAVING QUESTIONED UB EXECUTIVES JOHNSON AND TAYLOR WHO HAD PERSONAL KNOWLEDGE ABOUT THE BRIBERY AFFAIR. TIEMPO PUBLISHED AN INTERVIEW WITH COMMISSION COORDINATOR REINA WHO SAID THAT THE COMMISSION HAD TRIED TO QUESTION THE TWO MEN BUT THAT THEY HAD REFUSED TO GIVE TESTIMONY.

7. TIEMPO'S LEAD EDITORIAL OF MAY 17 DEALT WITH THE STATUS OF THE TELA RAILROAD COMPANY. TIEMPO SAYS THAT SINCE THE AGREEMENT BETWEEN THE GOH AND UB TO REDUCE THE BANANA TAX WAS INFLUENCED BY A BRIBE, THE AGREEMENT IS VOID AND THE EARLIER HIGHER TAX LEVEL SHOULD BE IMMEDIATELY APPLIED. SECONDLY, THE CONTRACTS BETWEEN THE FRUIT COMPANIES AND THE GOH HAVE ALWAYS PROTECTED THE INTERESTS OF THE FORMER. WHEN THE CONCESSIONS ARE RENEGOTIATED THIS YEAR, THE GOH WILL HAVE TO TAKE STEPS TO EXERCISE FIRM CONTROL OF THE CONDITIONS UNER WHICH THE COMPANIES OPERATE, AS THEY SHOULD OVER ALL FOREIGN COMPANIES. THIS SHOULD BE TRUE ALSO FOR THE MANY FRUIT COMPANY SUBSIDIARIES OPERATING IN HONDURAS. LIMITED OFFICIAL USE

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FINALLY, TIEMPO SAYS THAT UNITED BRANDS IS A POWERFUL COMPANY WHICH WILL MAKE A STRONG EFFORT TO PROTECT ITS INTERESTS, AND THEREFORE HONDURANS SHOULD BE PREPARED FOR COMPANY PRESSURE WHEN THE GOH MOVES TO TIGHTEN CONTROLS ON ITS OPERATIONS.

8. COMMENT: AS COULD BE EXPECTED, UNITED BRANDS IS BEING DENOUNCED ON ALL SIDES FOR ITS BRIBE ATTEMPT. THIS ANGER HAS SPILLED OVER INTO CRITICISM OF THE COMPANY'S OVERALL OPERATIONS AND OF THE RELATIONSHIP OF THE COMPANIES TO THE COUNTRY. THERE IS A GENERALIZED AGREEMENT THAT THE OPERATIONS OF THE BANANA COMPANIES MUST BE MORE STRICTLY CONTROLLED AND SHOULD PRODUCE GREATER BENEFITS FOR HONDURAS. STANDARD FRUIT, ALTHOUGH NOT INVOLVED IN THE BRIBE, HAS BECOME A JOINT TARGET ALONG WITH UB OF THIS

ATTITUDE. IN ADDITION, THERE HAVE BEEN A NUMBER OF CALLS
FOR NATIONALIZATION OF THE COMPANIES AS THE ONLY METHOD
OF MAKING HONDURAS A TRULY INDEPENDENT STATE. AT THE
LEAST, THESE ATTITUDES WILL FORCE THE COMPANIES TO REEVALUATE
THEIR POLICIES IN TERMS OF THEIR PROBABLE FUTURE IN HONDURAS.
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